

ELECTRICITY AND PIPED NATURAL GAS

Revenue Laws

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Taxation of Electricity and Natural Gas

Pre-Tax Reform

Electricity:

3.22% franchise tax +
3% sales tax

Piped Natural Gas:

Excise tax per therm

Post-Tax Reform

Electricity and Natural
Gas: Subject to sales
tax at combined general
rate.

Proceeding before the NCUC

- Section 4.1(f) directed the NC Utilities Commission to adjust rates of electric and PNG providers to reflect the repeal of certain taxes and imposition of the sales tax.
 - Commission opened a docket to examine the changes to the gross receipts/ franchise tax and changes to the *income* tax.

Electricity and PNG - Distribution

Pre-Tax Reform:

- Electricity – Each city receives 3.09% of the 3.22% franchise tax arising from sales in the city.
- Piped natural gas – Excise tax per them. City receives 50% of the proceed attributable to that city.

Post-Tax Reform

- Electricity – 44% of the sales tax on electricity:
 - Franchise tax share
 - Ad valorem share
- Piped natural gas – 20% of the sales tax on piped natural gas:
 - Excise tax share
 - Ad valorem share

Distribution of sales tax

- Franchise tax share - The “hold harmless” amount.
 - Same as previously related quarter.
- Ad valorem share – Remainder, mostly growth.
 - Proportionate share.

Potential Issue with Distribution

Amended Returns –

- Generally, utilities have 3 years to file amended returns.
- As of July 1 should these returns change the franchise tax share?
- If so, for how long?